

University of Pennsylvania - The Wharton School

BEPP 202: Consumer Financial Decision Making

Section 001: Tuesday & Thursday, 10:15am–11:45am, Room TBD

Section 002: Tuesday and Thursday, 12pm-1:30pm, Room TBD

Fall 2021 Syllabus - Draft

Professor: Jacqueline Volkman-Wise

Office: TBD

Phone: TBD

Email: TBD

Office Hours: TBD

Course Overview

Research shows that many individuals are profoundly underinformed about important financial facts and financial products, which frequently leads them to make mistakes and lose money. Existing gaps in financial literacy and sophistication contribute to the persistent and growing wealth inequality. Consumer finance comprises an enormous and growing sector of the economy, including products like credit cards, student loans, mortgages, retail banking, insurance, and a wide variety of retirement savings vehicles and investment alternatives. Though virtually all people use these products, many find financial decisions to be confusing and complex, rendering them susceptible to fraud and deception. As a result, government regulation plays a major role in these markets. Additionally, recent breakthroughs in the FinTech arena are integrating innovative approaches to help consumers.

This course, intended for Penn undergraduates, considers economic models of household decisions and examines evidence on how consumers are managing (and mismanaging) their finances. Although academic research has historically placed more attention on corporate finance, household finance is receiving a brighter spotlight now—partly due to its role in the recent financial crisis. Thus the course is geared toward those seeking to take charge of their own financial futures, anyone interested in policy debates over consumer financial decision making, and future FinTech entrepreneurs.

Prerequisites. There are no formal prerequisites for the class but students are assumed to have an introductory knowledge of economics and statistics. Prep work on excel, statistics, and economics will be available online for those needing help with introductory concepts. Those completely unfamiliar with these background concepts may wish to take the course Pass/Fail.

Credit: This is a 1 CU course, which must be taken for credit (i.e., the course cannot be audited).

Add/Drop Deadline. As per Wharton policy, you may drop the course until the official drop date (see <https://almanac.upenn.edu/penn-academic-calendar#row-115>). After the drop deadline, you need written permission from an instructor to drop the course. It is the policy of the course instructors that we do not sign petitions to drop the course after the official drop date. Please refer to the following link for more information: <https://undergrad-inside.wharton.upenn.edu/withdrawing/>

Withdrawal Deadline. As per UPenn policy, the formal withdrawal deadline will be announced at <https://almanac.upenn.edu/penn-academic-calendar#row-115>. Also as per UPenn policy, after the 10th week of the semester, withdrawals are not normally permitted.

Course Structure and Requirements

This cross-listed course is taught by Professor Jacqueline Volkman-Wise. The course includes assigned readings, class discussion, homework assignments, two midterm exams, and a team project and presentation. There are two midterm exams and no final exam. There are weekly online homework assignments which must be submitted on time; each student must submit individual answers to assignments via Canvas. Many of the homework assignments will require empirical analysis, and we will also spend some class time discussing statistical tools and data sources. In addition, during the semester, teams of students will choose a research topic to explore in a short term paper. A draft of the research report will be due at the end of October, which we will promptly return with comments, giving students time to revise their work; class presentations will be in early December with final reports due at the end of the semester.

Grades are determined by the following breakdown:

Midterm Exam 1	100 points	25%
Midterm Exam 2	100 points	25%
Assignments*	120 points	30%
Team Project and Presentation	80 points	20%
Total	400 points	100%

* Please note that for Assignments, the two lowest assignment grades will be dropped in computing the final assignment points.

Classroom: The entire class is to be offered in-person, meeting at the assigned day/time and room as indicated at the top of this syllabus. Due to COVID-19 protocols per the University and to facilitate access for all class members, the class sessions for the first two to three weeks of the semester, including your participation, are being recorded and the recordings will be made available to the class, for the duration of this course. These recordings, as well as previously recorded lectures and other course materials, are made available solely for your personal, educational use and may not be shared, copied or redistributed without the permission of Penn and the instructor. You are also not allowed to record class sessions yourselves. Unauthorized sharing or recording is a violation of the Code of Academic Integrity.

Course Material. Lecture notes, some readings, case studies, problem sets, and other material will be posted on the course Canvas. Students are responsible for checking this site regularly for updates. Go to <https://canvas.upenn.edu/>.

Required books/section of books. Portions from the following two textbooks will be part of the required reading. In addition, homework problems and case studies will be associated with material from these textbooks and will be marked via the online portal. Instructions about how to order the custom textbook which has the selected chapters from these books which will be needed for this class is at the end of the syllabus.

1. Kapoor, Dlabay, Hughes, and Hard, *Personal Finance*, 13th Edition, McGraw Hill.
2. Bodie, Kane, and Marcus, *Essentials of Investments*, 11th Edition, McGraw Hill.

The following paperback is also required and can be purchased online via any book retailer:
Olen and Pollack, 2017, *The Index Card: Why Personal Finance Doesn't Have to be Complicated*, Penguin.

Missing an Exam. Students may miss scheduled examinations only with a University-approved excuse. Examples of such valid excuses include direct conflicts with another course offered at Penn that cannot be rescheduled as well as a varsity (but not club) sport competition (but not training). In particular, *job interviews and vacations are not a legitimate reason to miss an exam.* Missing an exam without a University-approved excuse will result in a zero for the exam. Arriving late to an exam will be treated as missing an exam.

Exam Regrades. To submit a regrade request for an exam, you must submit your original test answers, a signed regrade affidavit (see the course Canvas for the template), and a written memorandum to the professor via Canvas, explaining why you think that the exam should be regraded. This request must be submitted online within 5 business days after the graded examination papers are available for pickup. *Your entire exam will then be reviewed, and your grade may go down, go up, or remain unchanged at the prerogative of the professor for the module.* You may not mark, make notes on, or alter the exam papers for which you seek a regrade; any such alteration will be seen as a violation of the Code of Academic Integrity and you will receive an automatic failing grade for the course.

Course Expectations and Academic Integrity

Class attendance and punctuality are expected. Mutual respect for the professor and fellow classmates is also expected. I reserve the right to remove any student from the classroom and/or course if, in my opinion, his or her behavior is disruptive to the professor, fellow classmates, and/or the classroom environment.

Students must become familiar with and adhere to the Penn Code of Academic Integrity and Code of Student Conduct (<https://catalog.upenn.edu/pennbook/code-of-academic-integrity/>)

Who to Contact for Help and Questions??

Teaching Assistants: Jeanna Kenney (both sections) jhkenney@wharton.upenn.edu
 Grace Wu gmw@wharton.upenn.edu
 Breland Finch bfinch@wharton.upenn.edu

Office Hours for TAs TBD

Faculty: The professor can be contacted via email or office hours as listed as the beginning of this syllabus.

<u>Important Dates</u>	
Put these dates on your calendar now!	
<i>Midterm #1:</i>	October 12, 2021: Review Session October 19, 2021: Midterm Exam #1
<i>Midterm #2:</i>	December 7, 2021: Review Session December 9, 2021: Midterm Exam #2
<i>Team Project Dates:</i>	October 7, 2021: Outline/Proposal Due October 28, 2021: Draft of Report Due November 30, 2021 & December 2, 2021: Project Presentations December 15, 2021: Final Report Due

Draft Class Schedule

Class	Day	Date	Topic
1	Tuesday	August 31 st	Introduction and Overview: Financial and Economic Concepts
2	Thursday	September 2 nd	
3	Tuesday	September 7 th	Overview of Life Cycle Economic Decision-Making
4	Thursday	September 9 th	
5	Tuesday	September 14 th	Household Goals and Financial Vehicles: Saving and Investing for the Future
6	Thursday	September 16 th	
7	Tuesday	September 21 st	Household Goals and Financial Vehicles: Borrowing and Investing for the Future
8	Thursday	September 23 rd	
9	Tuesday	September 28 th	Household Goals and Financial Vehicles: Education
10	Thursday	September 30 th	Household Goals and Financial Vehicles: Private Business
11	Tuesday	October 5 th	Household Goals and Financial Vehicles: Durables and Housing <i>Project Deliverable: Proposals Due on Thursday, October 7th</i>
12	Thursday	October 7 th	
13	Tuesday	October 12 th	<i>Review Session</i>
<i>No Class</i>	<i>Thursday</i>	<i>October 14th</i>	<i>Fall Break</i>
14	Tuesday	October 19th	Midterm #1
15	Thursday	October 21 st	Household Goals and Financial Vehicles: Marriage and Children
16	Tuesday	October 26 th	
17	Thursday	October 28 th	Household Goals and Financial Vehicles: Health, Disability, LTC Insurance <i>Project Deliverable: Draft of Report Due Thursday, October 28th</i>
18	Tuesday	November 2 nd	
19	Thursday	November 4 th	Household Goals and Financial Vehicles: Retirement Planning
20	Tuesday	November 9 th	
21	Thursday	November 11 th	Household Goals and Financial Vehicles: Bequests and Charity
22	Tuesday	November 16 th	
23	Thursday	November 18 th	Other Considerations: Taxes, Wills, Bankruptcy, Financial Advisors
24	Tuesday	November 23 rd	
<i>No Class</i>	<i>Thursday</i>	<i>November 25th</i>	<i>Thanksgiving Break</i>
25	Tuesday	November 30th	<i>Project Presentations</i>
26	Thursday	December 2nd	<i>Project Presentations</i>
27	Tuesday	December 7 th	<i>Review Session</i>
28	Thursday	December 9th	Midterm #2
	Wednesday	December 15 th	<i>Project Deliverable: Final Report Due</i>

Tentative Detailed Outline and Assignments:¹

Pre-Work Assignments:

- FINRA National Financial Capability Study financial literacy quiz, <http://www.usfinancialcapability.org/quiz.php> (Do this outside Canvas and report scores in class)
- For those seeking more background: Econ, Finance, Stats, and Excel videos/lessons on Canvas

Class 1 & 2: Intro/Overview of Financial and Economic Concepts

- Readings:
 - Olen/Pollack: Introduction
 - Reading #1 (Kapoor et al., Chapter 1)
 - Article: [7 Reasons Why Financial Education Is Your Best Investment](#)
- Problems: Kapoor et al.: Chapter 1 problems, Case problems

Class 3 & 4: Overview of Life Cycle Economic Decision Making

- Readings:
 - Olen/Pollack: Rules #1 and 6
 - Reading #2, #3, #4 (Kapoor et al., Chapters 3 and 4; Bodie et al., Chapter 2)
Note: Bodie et al. reading available on Study.Net not Canvas if using the eBook
 - Rothman, Julia and Shaina Feinberg, 2020. The Balancing Act. *New York Times*.
- Problems: Kapoor et al.: Chapter 4 problems, Case problems

Class 5 & 6: Household Goals and Financial Vehicles: Saving and Investing for the Future

- Readings:
 - Olen/Pollack: Rules #4 and 5
 - Reading #5, #6, #10, #11, #12, #13, #21
(Kapoor et al., Chapters 5, 6, 7 and Appendix, 8 and Appendix, Chapter 3 Appendix)
 - Video: Fisher Effect and Bond Valuation
- Problems: Kapoor et al.: Chapter 5 problems, Chapter 6 problems

Class 7 & 8: Household Goals and Financial Vehicles: Borrowing and Investing for the Future

- Readings:
 - Olen/Pollack: Rules #2, 3, 7
 - Reading #7, #19 (Bodie et al., Chapter 5 and Chapter 21 (21.1-21.7))
Note: available on Study.Net not Canvas if using the eBook
 - Kurutz, 2018. How to Retire in Your 30s with \$1 Million in the Bank, *New York Times*.
 - Vanguard Investor Questionnaire: <https://advisors.vanguard.com/iwe/pdf/FASINVQ.pdf>
(Do outside of Canvas and report scores in class)
- Problems: Bodie et al.: Chapter 5 problems, Chapter 21 problems

¹ Note that readings may be added or substituted at the instructor's discretion. Specific problems for weekly homework assignments will be detailed on the course Canvas site. Supplementary readings for each week/topic are available on Canvas.

Class 9 & 10: Household Goals and Financial Vehicles: Education & Private Business

- Readings:
 - Reading # 8 (Kapoor et al., Chapter 2)
 - Reading # 9 (Bodie et al., Chapter 15- Options background to discuss employee stock options) *Note: available on Study.Net not Canvas if using the eBook*
 - Options video posted on Canvas
 - Wasik. 2013. The Biggest Financial Asset in Your Portfolio is You. *New York Times*.
- Problems: Kapoor et al. Chapter 2 videos and questions, Bodie et al. Chapter 15 problems, Simulation exercise (provided in-class)

Class 11 & 12: Household Goals and Financial Vehicles: Durables and Housing

- ***Thursday, October 7th: Team Project Proposals Due***
- Readings:
 - Olen/Pollack: Rule #7
 - Reading #14 (Kapoor et al., Chapter 9)
 - Consumer Reports. 2017. Leasing vs. Buying a New Car.
- Problems: Kapoor et al. Chapter 9 problems and Case problems

Class 13: Review Session

Class 14: Midterm Exam #1

Class 15 & 16: Household Goals and Financial Vehicles: Marriage and Children

- Readings:
 - Reading #15, #16 (Kapoor et al., Chapters 10 & 12)
 - Prenupagreements.org. 8 Reasons Why You Should Get a Prenup
 - Johnson, Jeffrey. 2020. What is Community Property? FamilyLaw.freeadvice.com
- Problems: Kapoor et al. Chapter 10 problems, Chapter 12 problems, Case problems

Class 17 & 18: Household Goals and Financial Vehicles: Health, Disability, LTC Insurance

- ***Thursday, October 28th: Draft of Project Report Due***
- Readings:
 - Reading #17 (Kapoor et al., Chapter 11)
 - Olen/Pollack: Rule #8
 - Mayo Clinic. Living Wills and Advance Directives
 - PGP Foundation. 2020. Why are Americans Paying So Much for Healthcare?
- Problems: Kapoor et al. Chapter 11 problems

Class 19 & 20: Household Goals and Financial Vehicles: Retirement Planning

- Readings:
 - Olen/Pollack: Rules #3, 9
 - Reading #18 (Kapoor et al., Chapter 18)
 - Zweig, Jason. 2011. Meet 'Future You.' Like What You See? New 'Virtual Reality' Techniques Could Help Solve the Age-Old Problem of Saving for Retirement. *Wall Street Journal*, March 26.
 - Stoll, John D. 2020. The End of Retirement. *Wall Street Journal*, January 10.
- Problems: Kapoor et al., Chapter 18 problems, Video questions, and Case problems

Class 21 & 22: Household Goals and Financial Vehicles: Bequests and Charity

- Readings:
 - Reading #20 (Kapoor et al., Chapter 19)
 - National Caregivers Library. What is a Power of Attorney?
 - AARP. Your Digital Estate Plan
 - Living Will and Power of Attorney Forms
- Problems: Kapoor et al., Chapter 19 problems, Video questions, and Case problems

Class 23 & 24: Other Considerations: Taxes, Wills, Bankruptcy, Financial Advisors

- Readings:
 - Olen/Pollack: Rule #6
 - Phipps, Melissa. 2020. How Bankruptcy Can – and Cannot – Affect Your Retirement Savings.
 - Wall Street Physician. 2018. Understanding the Conflicts of Interest of Financial Advisors.
 - CNBC. 2015. Finding the Right Financial Advisor
 - Video: Pros and Cons of Robo-Advising
 - Video: Robo-advisors: How They Work and Why They're a Good Option For Some Investors

Class 25 & 26: Team Project PresentationsClass 27: **Review Session**Class 28: **Midterm Exam #2**

More Information about Required Reading Materials

Much of the reading material for this course is based on selected chapters from **Personal Finance** by Kapoor et al., and **Essentials of Investments 11/e** by Bodie, Kane and Marcus in addition to McGraw-Hill's online assignment and assessment software, Connect. You will use Connect to access an eBook, an adaptive eBook and homework problems, via your Canvas account. The department has arranged with the publisher for two purchase options below:

- **Option A. Custom print book with Connect code from UPENN bookstore**
Only the UPENN bookstore is selling a custom hardcopy book for this course, containing the necessary chapters you'll be responsible for and a Connect code. This is listed as: Consumer Financial Decision Making: BEPP/FNCE 202, ISBN # 9781307575156. You will not find this book on Amazon or other textbook websites. You can order the hardcopy of the book here: <https://upenn.bncollege.com/shop/upenn/home> . The cost is **\$93.35**.
- **Option B. Online All-Digital Connect access.**
Alternatively, if you are comfortable with learning from an eBook, you can purchase Connect for **\$80** via your Canvas account (directions are below). Once you are registered, you will have electronic access to the Kapoor et al. **Personal Finance 13/e** chapters, but **NOT** the 4 chapters from the Bodie et al. **Essentials of Investments**. If you have previously enrolled in FNCE 205, you may already have the Bodie et al. *Investments* book. Although this book is a more comprehensive version of the Essentials book, it includes similar chapters to the 4 that are in the custom book. If you have not taken that course, you may purchase these necessary chapters from study.net.

How to register for Connect:

Log into your Canvas account for the course. Click on the **McGraw-Hill Campus** link, likely on the left-hand side of your screen. If prompted, click **Load in a new Window**. Then click Agree to Terms and Privacy Policy. Then click the cover of the textbook **Personal Finance 13/e** by Kapoor et al. and get started.

Enter your email in the **Join this Class** area. If you've registered for Connect in a previous or concurrent course, use the same email. Otherwise you'll be asked to create a new McGraw-Hill education account.

If you purchased a custom package from the bookstore, enter the 20-digit code from the back of the book in the **Use Connect Code** box and click **Redeem**. You will then have Connect access, which includes only the eBook chapters from Kapoor et al. **Personal Finance 13/e** (but not the Bodie et al. **Essentials of Investments** chapters) and your online homework assignments for 180 days.

OR if you are comfortable with just using the eBook, select **Buy It** (valid credit card or Pay Pal required). You should ignore the Connect and Printed textbook Rental option for \$170.

If you are unsure you will remain in the course or are waiting for the textbook package to arrive at the bookstore, home, or dorm, you can select the **Temporary Access** which provides 14 days of complimentary access to Connect, the e-book, and homework. At the end of the complimentary access period, you will need to enter either the 20-digit code from the custom book (printed copy) or select **Buy It**. You must purchase Connect access to maintain access to course assignments and materials. Any work you complete during the Temporary Access period will be saved.

Technical Support:

If you need Technical Support (forgotten password, wrong code, etc.), please contact the McGraw-Hill Education **Custom Experience Group (CXG)** at:

1-800-331-5094

www.mhhe.com/support.

Please be sure to acquire and retain your case number for future reference if you call the CXG line.